

SUMMARY – ALL FUNDS INTRODUCTION

The City of Detroit budget is a financial plan guiding all of the municipality's activities. The FY2006-07 Executive Budget Summary sorts the activities proposed for FY2006-07 according to overall functions of city government, organizational units of administration, funds, budgetary objects, and major types of revenue. It explains capital, operating and staffing proposals in the context of historical trends.

A variety of exhibits follow:

- ❖ *Funds* are fiscal entities that segregate revenues and expenses for the purpose of carrying out a specific purpose or activity. A description of the 13 city funds shown in the budget is included, along with an explanation of the relationship of other funds to the General Fund.
- ❖ The overall city budget can be compared historically by sorting appropriations according to general city, enterprise, non-departmental line items and subsidies, and debt service. These areas can be further broken down using city departments.
- ❖ *Objects* are the lowest and most detailed level of expenditure classifications. There are 8 major object categories: salaries and wages, benefits, professional and contractual services, supplies, operating services, capital, fixed charges, and other expenses.
- ❖ Another way to analyze the budget is in the context of actual expenditures. Annual surpluses or deficits are the first items addressed in the annual budget, and the Budget Stabilization Fund can be a tool for this.
- ❖ *Personal services*, the salaries, wages, and fringe benefits associated with positions, are trended out over the last decade for tax-supported and grant-supported activities. Changes in staffing are summarized by department.
- ❖ Revenues can be classified in 9 ways: taxes, assessments and interest; licenses, permits and inspection charges; fines, forfeits and penalties; revenues from use of assets; grants, shared taxes and revenues; sales and charges for services; sales of assets and compensation for losses; contributions and transfers; miscellaneous
- ❖ Revenues can also be understood in terms of their sources (local, federal or state). Changes in major local sources are tracked historically.
- ❖ The capital budget relates capital plans to debt management, through voter authorization, bond ratings, the city's debt margin and debt service requirements. The capital project proposals consider the impact on operating requirements.
- ❖ Tax rates are related to taxable valuations for property tax and for special districts. This relationship produces the tax levies that individuals and other entities pay to the city of Detroit and other local jurisdictions.

Funds shown in the City of Detroit budget:

General Fund – This fund provides for the general governmental operations of the City. It is funded through a variety of local taxes - Property, Income and Utility Users, shared taxes from the State, and Sales and Charges for Services.

Block Grant – The Community Development Block Grant (C.D.B.G.) program was established under Title I of the Housing and Community Development Act of 1974. Funds can be used to benefit low/moderate income people, reduce slums and blight, or other

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urgent needs. The Federal Department of Housing and Urban Development distributes this grant.

Drug Law Enforcement – This fund accounts for forfeited narcotics proceeds that are used for the enhancement of narcotics enforcement.

Library – The Detroit Public Library is administered by the Detroit Library Commission, a separate municipal corporation existing by virtue of State Law. Under the law, the budgetary transactions of the Detroit Public Library are subject to the financial controls of the City of Detroit.

Federal Employment and Training – The Federal Employment and Training Funds were established to account for employment and training program grants received from governmental sources. On October 1, 1983, the Jobs Training Partnership Act (J.T.P.A), enacted on October 13, 1982 was implemented. Programs under the J.T.P.A. are financed by the Department of Labor. The State of Michigan receives and administers J.T.P.A. funds. The Governor approves and provides funding to qualified service delivery area grant recipients.

The City of Detroit has been designated a J.T.P.A. service delivery area, grant recipient and administrative entity. The purpose of this act is to establish programs to prepare youth and unskilled adults for entry into the labor force and to afford job training to those economically disadvantaged individuals and other individuals facing serious barriers to employment who are in need of such training to obtain productive employment. Other program funds include the Senior Aides Program of the National Council of Senior Citizen's (N.C.S.C.) and the grants of the Department of Labor related to the provisions of the Emergency Employment Act of 1971, the Michigan Neighborhood Corps, Youth Employment Services Program, and Corrections Parolee Program as funded by the Michigan Department of Labor.

Major and Local Streets – The Major and Local Street Funds were established to account for Michigan State Gas and Weight Tax revenues as required by law under Act 51, Public Acts of Michigan of 1951, and other related grants. Expenditures are restricted to construction and maintenance of major and local streets. Much of this work is performed by other City agencies.

Human Services – The Neighborhood Services Fund was established to administer certain social service programs financed by the Federal and State Grants.

General Grants – This is a mix of funding sources, Federal, State and other. Consisting primarily of Health Department grants.

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General Debt Service – Debt service on unlimited tax general obligation bonds is funded from ad valorem property taxes levied without limitation as to rate or amount specifically for that purpose. Debt service on limited tax general obligations is funded from property taxes levied within constitutional, statutory and charter limitations or other unrestricted moneys of the City. The City, by State law, must provide a separate fund for debt retirement moneys. All general City property taxes are collected by the treasurer and deposited in the general and debt service accounts according to the proper distribution percentage.

General Capital Projects – The Capital Projects Fund has been established to account for all funds used for the construction, acquisition, and renovation of capital facilities by the General Fund. These projects are generally funded by City's general obligation bond issues.

Urban Renewal Fund – This fund accounts for funding received from the City of Detroit and the Federal Government earmarked for the acquisition and site preparation of property for future development.

Internal Service Fund – This fund handles the lease purchase of all General Fund vehicles with limited obligation bonds.

Enterprise Funds – Enterprise Funds account for operations of governmental facilities operated in a manner similar to commercial enterprises where the intent is to recover, in whole or in part, through user charges, the costs or expenses (including depreciation) of providing goods or services to general public on a continuing basis. Including component units, the City currently has 9 enterprise funds of which 4 are self-supporting and 5 generally need (or will need) some level of General Fund support. The self-supporting funds

include Water, Sewage Disposal, Housing and Parking. Of the nine enterprise funds, six are fully incorporated in the budget presentation. The remaining three (Detroit Transportation Corporation, Housing and the Greater Resource Recovery Authority) are reflected only to the extent of the City's payment for services (GDRRA) or subsidy contribution (DTC).

- ❖ The Sewage Disposal and Water Supply Systems serves the Detroit metropolitan area. The General Fund bears no liability for funding any expenses not covered by self-generated revenues for these systems and has never made a subsidy payment to either System, although the General Fund has made temporary advances to the Sewage System in connection with the financing of capital projects, which were promptly repaid with proceeds of a revenue bond issue.
- ❖ Since 1984, the City's Parking System has been totally self-sufficient. Although the City is legally responsible for payment of operation and maintenance expenses of the system, sufficient funds have been (and are expected to continue to be) generated to reimburse the General Fund for payment of such expenses.
- ❖ Housing Department is the local administrative agency for public housing programs. Housing receives Federal rental subsidies for operations, leased rental housing, and a housing assistance payment program. The Housing and Urban Development Act provides that the rent of a public housing tenant may not exceed 30% of the family income.

Numerous funds receive General Fund support, including: Transportation, Airport

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Construction Code Fund and Detroit Transportation Corporation. The Greater Detroit Resource Recovery Authority receives moneys from the General Fund through tipping fees paid for disposal of waste collected by the City. The City's obligation to pay such tipping fees is a full faith and credit limited tax general obligation of the City.

- ❖ The Transportation Fund, which operates the bus-oriented mass transit system, receives a substantial portion of its operating revenues from regional allocation of Federal and State moneys and from self-generated revenues. However, as a result of a continuing gap between stagnant operating revenues and rising expenditures, the fund has also received General Fund subsidization. Prior to 1986, the General Fund advanced moneys to the Transportation Fund to ease cash flow problems created by the lag in receipt of moneys from the State and federal government. In recent years, because of the significant amount of General Fund subsidy, no "cash flow" advances were required.
- ❖ The City's Airport Fund accounts for the operation of Detroit City Airport. In fiscal 1989 the Airport was expanded to accommodate commercial jet carrier service

Today, the Airport provides general aviation and limited commuter service. Without service, the 2004-05 Recommended Budget includes million in General Fund contributions.

- ❖ The Detroit Transportation Corporation is responsible for the Downtown People Mover, which began operations in downtown Detroit in 1987. The People Mover has not been and is not expected to be self-sufficient in the future.
- ❖ Construction Code Fund includes services performed by Buildings and Safety Engineering Department. Effective January 1, 2001, Public Act 245 of 1999 was approved to amend Act 230 of 1972 of the State of Michigan Compiled Laws. The act requires the State of Michigan's local governments to establish reasonable fees which are required to operate the department responsible for building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates used for occupancy, and hearing appeals in accordance with this act. To comply with this act, in fiscal year 2001 the City established the Construction Code Fund for operational and financial reporting purposes.